

A shared value approach to climate impact at landscape scale

Summary report of project pilots | June 2022

This project was possible thanks to a grant from the ISEAL Innovations Fund, which is supported by:



This programme was run under the Value Change Initiative:



Project partners:



Background

In 2019, Gold Standard received a grant from the ISEAL Innovations Fund to develop guidance for accounting and reporting the emissions of certified commodities, in close collaboration with a group of ISEAL Community Members.

Under the umbrella of the Value Change Initiative, Gold Standard commissioned SustainCERT to conduct two pilots in 2022 to get a sense of to what extent the design elements and recommendations outlined in the guidance are currently covered in some sustainability systems. The organisations that participated in these pilots were Better Cotton and Forest Stewardship Council.

This report shares an overview of the approach taken for these pilots and key findings that are relevant to other sustainability systems.

> For more information on the project, please visit: www.iseal.org/innovations-standards/innovations-projects/carbon-accounting-landscape-level



The Better Cotton Initiative (Better Cotton) exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. Better Cotton aims to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity. Better Cotton works across the cotton supply chain to promote measurable and continuing improvements.

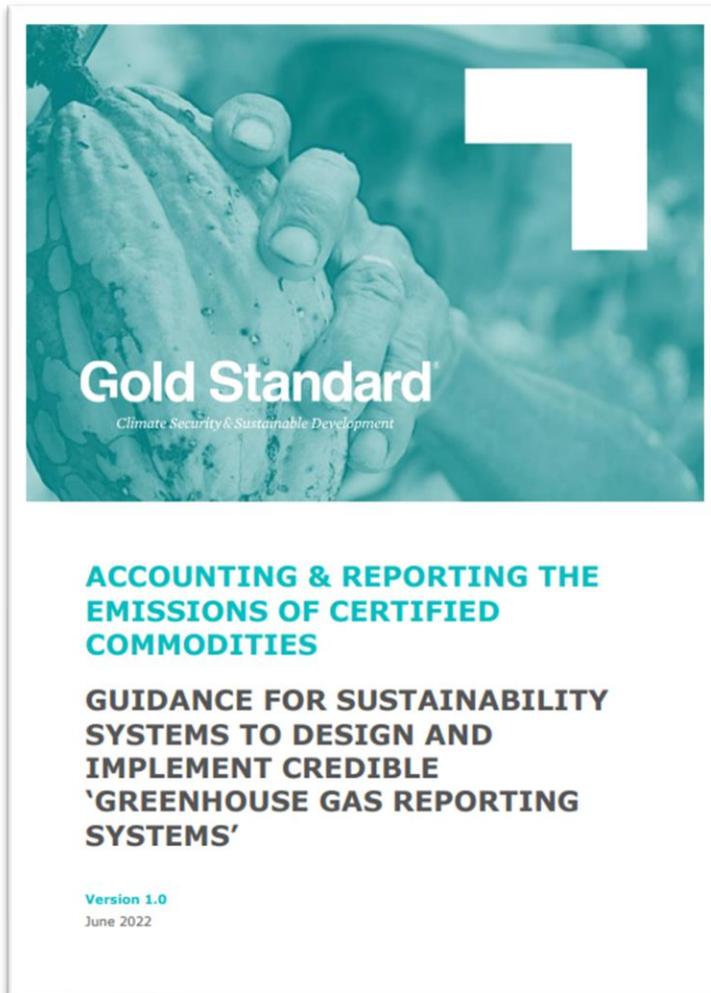


The Forest Stewardship Council International Center is an international not-for-profit organisation established to promote the responsible management of the world's forests. FSC is a certification system that provides internationally recognised standard-setting, trademark assurance and accreditation to companies, organisations, and communities interested in responsible forestry.



The Value Change Initiative is a multistakeholder forum bringing together some of the world's largest companies, leading civil society actors and internationally recognized frameworks to collectively define how to address and account for greenhouse gas emission reductions across global value chains.

Key design elements of a GHG reporting system

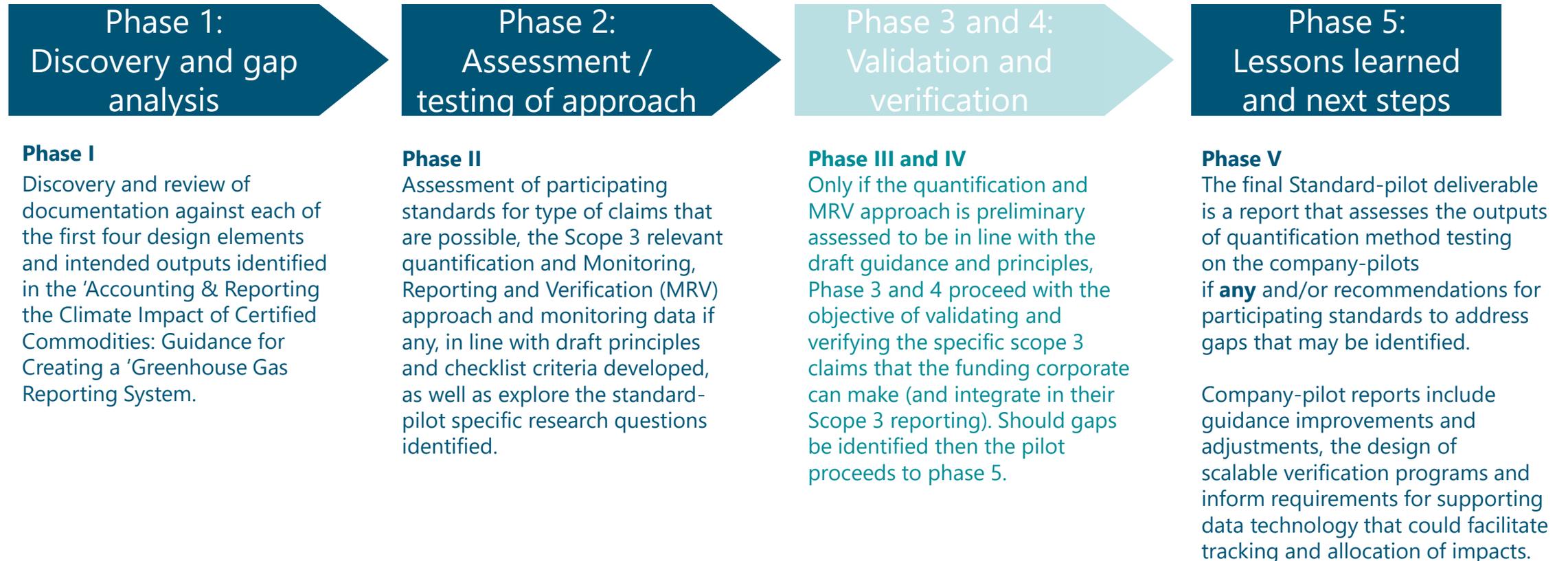


The guidance clarifies that a robust and comprehensive GHG reporting system is made up of eight key Elements. These Elements represent the key moving parts of the system and how they interact with each other is what will ultimately make a system credible.

- I. Definition of the Scope & Boundary of the GHG-RS
- II. Definition of the scope of quantification approach
- III. Approaches for quantifying emission data
- IV. Allocation of certificates and credible reporting of emissions
- V. Assurance
- VI. Approach to impact metrics and other mechanisms
- VII. Approach to certificate and license holder GHG related claims
- VIII. Managing data, system capacity and M&E

> Download the full guidance from:
www.goldstandard.org/blog-item/guidance-launched-help-value-low-carbon-commodities

Approach for the pilots



Material reviewed in Phase 1

Better Cotton

Assessment of BCI outputs primarily included the following items:

- Better Cotton Principles & Criteria
- Better Cotton Chain of Custody Guidelines
- Assurance Programme

Forest Stewardship Council

Assessment of FSC outputs primarily included the following items:

- Ecosystem Services Procedure: Impact Demonstration and Market Tools FSC-PRO-30-006 V1-2 EN
- Guidance for Demonstrating Ecosystem Services Impacts FSC-GUI-30-006 V1-0 EN
- FSC Carbon Monitoring Tool (excel)
- User's Manual for FSC Forest Carbon Monitoring Tool FSC-MAN-30-006 V1-0 EN
- Chain of Custody Certification Standard (STD) V(3-1) FSC-STD-40-004

Phase 1: Key findings – Better Cotton

- Necessary and sufficient requirements for GHG quantification and socio-economic reporting are not yet part of the BCI licensing requirements and guidelines.
- Requirements and checklists about the scope and boundary of GHG emission may be improved by including geographical data and tables of GHG sources and sinks.
- It is recommended to stratify agricultural land according to homogenous bio-physical parameters to perform GHG emissions quantification.
- The BCI Chain of Custody Guidelines and the associated Ginner and supply chain reporting template provide sufficient requirements for organisations to verify the full chain of custody and can support mass balance.
- Third-party verifier will be able to leverage the product chain of custody that includes segregation (covering a given segment of the value chain) to enable the accounting of Emissions Reduction and Emissions Factor derived from improved practices in accordance with most recent standards, by allowing the linkage to a known surface and amount of purchased cotton.
- To demonstrate the causality between climate mitigation impact and corporate purchasers support, the Better Cotton platform and the BCCU units should be improved so that the association of the specific production site to BCCUS can be made.



Phase 1: Key findings – FSC

- Quantity (volume or mass), nature (tree species) and location of extraction of wood should be part the guidance provided to wood-product buyer aiming at achieving robust scope 3 GHG inventory. To fill this gap, available options include improving the FSC Chain of Custody Certification, enabling the tracking GHG emission data associated with wood-product along the supply chain.
- Among the tools and methodologies listed by FSC to quantify forest carbon stock conservation or restoration, SustainCERT identified that ICROA-member improved forest management methodologies are the most robust and relevant ones.
- The FSC Carbon Monitoring tool is adapted to calculate forest carbon stock changes, however, users of the tool should consider using it together with a registered forestry carbon methodology
- Currently, causality of a conserved/restored forest carbon stock by a wood-product retailer may not be established because of the uncertainty regarding the forest origin of the wood-products traded along the supply chain.



Phase 2

While the first phase was similar for Better Cotton and FSC, the activities in Phase 2 was tailored to each scheme to find the best way to test their approach to GHG quantification.

In the case of FSC, it was agreed that SustainCERT would work with Kingfisher to identify specific project managers who are working

directly with FSC-FM Certificate Holders, who can provide information and data regarding how they have calculated carbon removals and/or reductions. Unfortunately, this was not possible during the project.

With Better Cotton, Phase 2 consisted of two assessments:

- a) A gap analysis comparing the results of a study published in 2021 against the eight design elements in the guidance, and
- b) An evaluation was done of the Delta Framework's GHG indicator and how it had been piloted in a project implemented in India



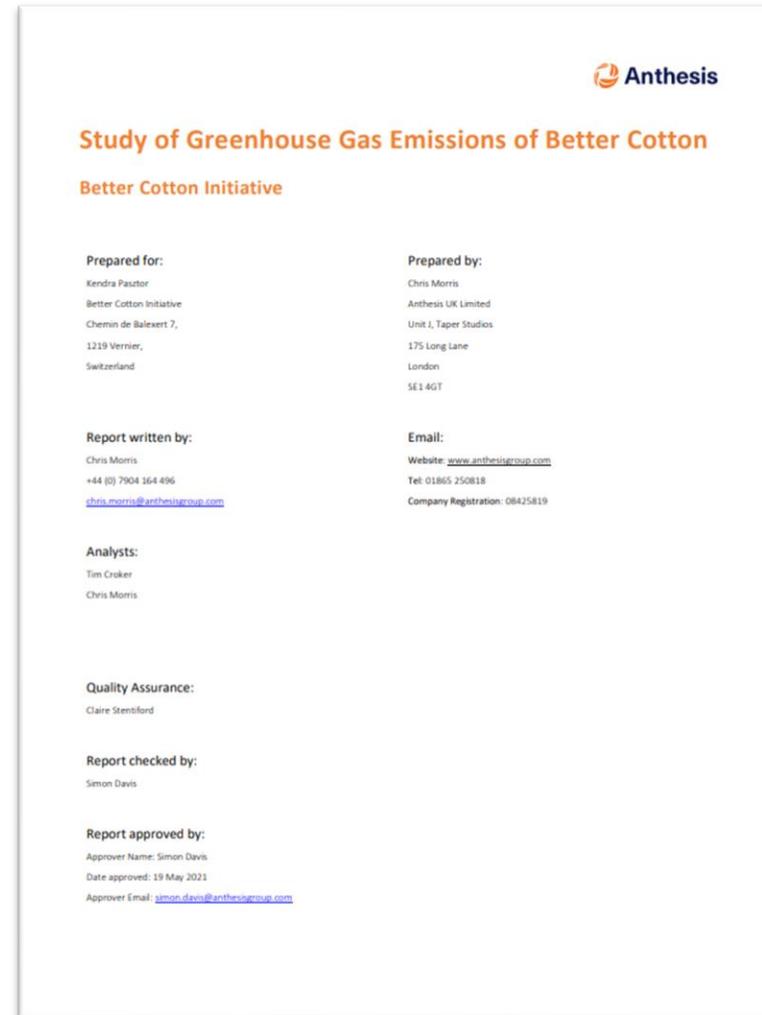
Phase 2a: Anthesis report

In 2021, environmental consultants Anthesis published the results of a study on GHG emissions of Better Cotton production. The study, commissioned by Better Cotton, aimed to quantify GHG emissions for cradle to post-gin lint production in Better Cotton and for recognised equivalent programmes that constitute over 80% of licensed Better Cotton globally.

The objective of SustainCERT's gap analysis was to assess whether the proposed quantification and MRV approach from Anthesis was in line with the principles and criteria in the new guidance.

The gap analysis included the following components: accounting period, applicability conditions, supply shed, implementation dates, selected GHG sources and sinks, baseline, quantification approach, monitoring, causality, and references.

For the purpose of this assessment, Anthesis shared with SustainCERT the source and values of primary data used to perform Cool Farm Tool (CFT) calculation and supporting documentation to the 2021 report. In addition, SustainCERT was given access to the Cool Farm Tool (not just the results) to be able to study the calculations.



> Download the full report from:
<https://bettercotton.org/better-cotton-releases-our-first-study-on-ghg-emissions/>

Phase 2a: Key findings

- Most of the gaps identified relate to Elements 1-3 of the guidance.
- The use of the Cool Farm Tool to estimate cotton production sets a relevant component of the quantification approach. To ensure the credibility of estimated emissions, the use of Cool Farm Tool should be coupled with the application of an existing carbon methodology/GHG Protocol, which frames all the do's and don'ts, from input data to output emission reductions or carbon removals.
- More information and data regarding how cotton ginning process emissions were quantified are needed if Better Cotton wants to communicate effectively to concerned stakeholders such as brands about the carbon intensity of this process.
- The gap assessment does not represent an exhaustive list of findings, nor an auditing process, that would allow the reporting approach to pursue a Value Chain Intervention validation/verification. However, it clearly positioned the quantification approach and potential uses of the report's results and analysis with regard to the best practices outlined in the guidance.

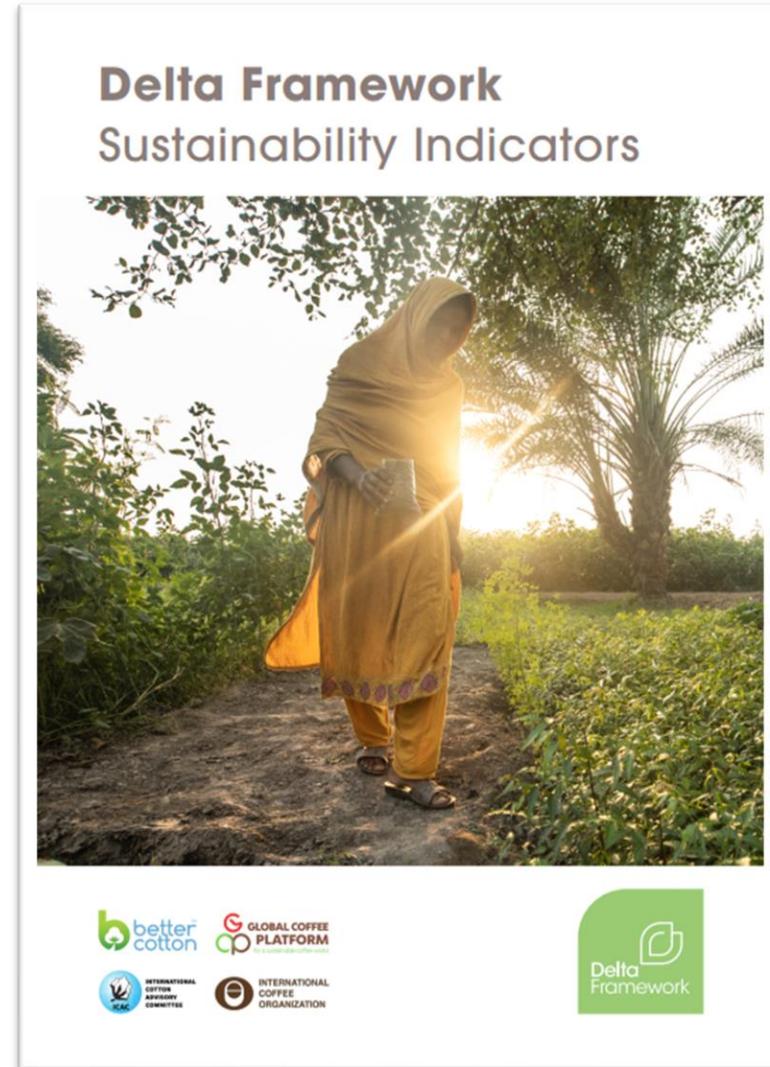


Phase 2b: Delta Framework

Between 2019 and 2022, Better Cotton led the development and piloting of a set of 15 indicators (and related methodologies) to streamline the assessment and reporting of sustainability performance, starting with the cotton and coffee sectors. Indicator #7 quantifies GHG emissions and suggests using the Cool Farm tool.

SustainCERT reviewed the quantification methodology for indicator #7 and interviewed various individuals involved in developing the approach, implementing on-farm activities, and monitoring and reporting. The following questions guided the assessment:

- Who implements improved activities?
- Who purchases the associated commodity?
- Identification of the entity causing the intervention
- Geographic location of supplier
- Identification of supply shed
- Definition of Sources, Sinks and related GHGs
- GHG baseline emission setting
- Intervention GHG emission
- Monitoring program



> Download the full report from:
<https://www.deltaframework.org/resources/>

Phase 2b: Key findings

Based on the work carried out in Phases 1 and 2, the project recommended that Better Cotton develop the following elements within the Better Cotton framework:

- A monitoring plan and reports for the implementation of agricultural practices and tree plantations
- A description of project data flows, including farm practice adoption data capture and geographical mapping of the supply sheds impacted.
- A document system including a list of coordinates of farmers (confidential and to be used for audit purposes only)
- A database of links between farmers engaged in the project and quantification approach (QA) of GHG outcomes (including list of SSRs covered)
- Documentation proof of traceability linking farmers of the project and BCI cotton produced
- Documentation to back the causality link between BCI funding and the change of practice between reference and project scenario.



Phase 5: Next steps for Better Cotton

Based on the work carried out in Phases 1 and 2 (with 3 and 4 not undertaken), the following key next steps are identified:

- BCI are developing an updated chain of custody approach that will be linked to emissions data attribution, allowing for the potential to align fully with Greenhouse Gas Protocol accounting and emerging market-based allocation approaches.
- The use of a proprietary tool, like CFT, is a potentially valuable way of managing resource and keeping up to date, as well as being consistent with other practitioners. In the context of making claims about impact, or in future making use of emerging market-based allocation mechanisms, it is important to couple this with an impact-focused approach. For example, either tailoring use of CFT to compare to baseline, or using an impact methodology to assess the specific impact of changed practices. In this way causality and extent of impact can be demonstrated.
- CFT uncertainty should be considered and made transparent, if not already feasible. It may also be valuable to compare the use of CFT (and BCI itself) with 'standard' practices within the cotton sector, thus being able to explain any variance.
- In the time since the pilot assessment, the Greenhouse Gas Protocol has released further guidance on Land-based removals. This includes, amongst other things, further detail on allocation and quantification, e.g., for soil. For maximal use of BCI data, alignment with Greenhouse Gas Protocol is helpful. However, the guidance is complex and subject to further change post-testing. It is recommended to familiarize and begin the process of alignment, but to keep an open and transparent approach to this process given the dynamic environment in which it exists.